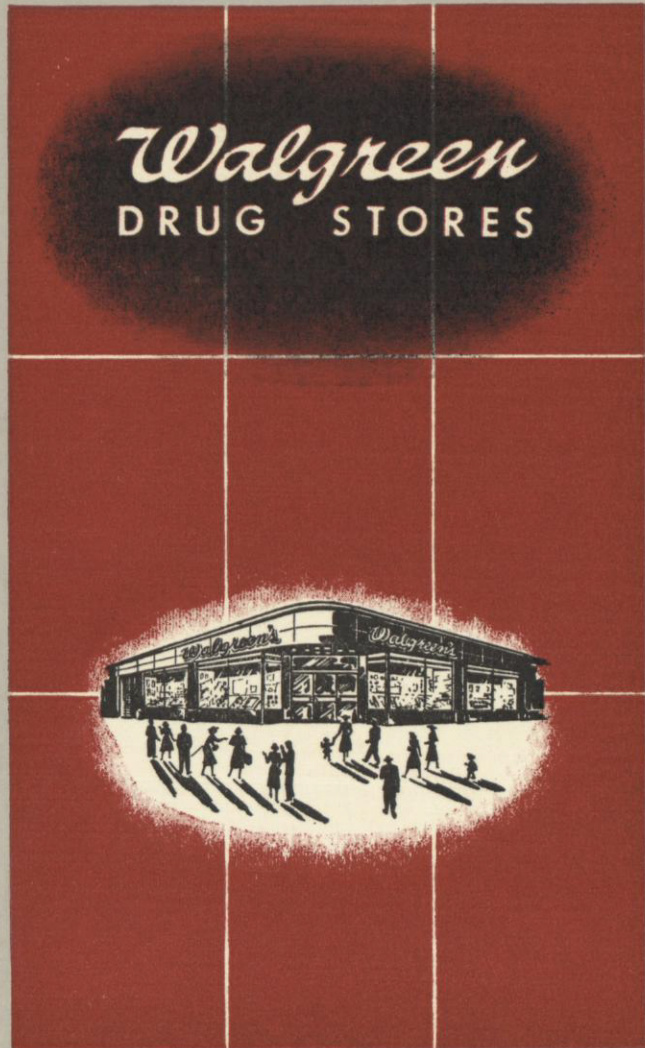


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CORPORATION FILE

Annual Report

TO STOCKHOLDERS
SEPTEMBER 30, 1949



Walgreen Co.

Officers and Directors

CHARLES R. WALGREEN, JR.....*Director—President*
SANFORD J. BOWYER.....*Director—Vice President*
H. TRACY FOWLER.....*Vice President*
HARRY GOLDSTINE.....*Director*
ROBERT G. KNIGHT.....*Director—Vice President and Treasurer*
BERT O. PINCH.....*Director—Assistant Secretary*
ROLAND G. SCHMITT.....*Director—Vice President and Secretary*
A. L. STARSHAK.....*Director—Vice President*
RAY E. WALKER.....*Director—Agency Division*
JAMES E. WARD.....*Director—Vice President*
O. G. GILE.....*Assistant Secretary*
P. J. REDFORD.....*Assistant Secretary*
C. S. ZALEWSKI.....*Comptroller*

Company General Auditor.....M. W. PRATT
Public Accountants and Auditors.....ARTHUR ANDERSEN & Co.

Transfer Agents.....FIRST NATIONAL BANK, CHICAGO
.....GUARANTY TRUST Co., NEW YORK

RegistrarsHARRIS TRUST & SAVINGS BANK, CHICAGO
.....COMMERCIAL NATIONAL BANK & TRUST Co., NEW YORK



C. R. WALGREEN, JR.
President.

For the fiscal year just closed, earnings were \$3.20 per common share, compared with \$3.03 last year. The 1949 figure includes a very sizable profit on the sale of an investment. However, the costs of launching new, remodeled, and enlarged stores were by far the largest in our history, and were entirely absorbed in the general costs of the year. Such expenditures will be very materially less for our new fiscal year which commenced October 1.

The very heavy expenditures made in the way of improvements to leaseholds were, to the extent of its remaining balance, charged against a reserve created out of the earnings of prior years for that purpose. The excess, in the amount of about half a million dollars, was charged against current earnings.

We were operating 414 stores at September 30 this year, only a slight net change from last year, but including a number of openings and closings, and the sale of a few stores not believed to justify the expense of modernizing.

to Our

In May of this year we moved our general office to 4300 Peterson Avenue, Chicago 30, Illinois. We are pleased with our new location and efficiency is improving according to expectations.

We are at present engaged in an investigation and audit of Thrifty Drug Stores Co. Inc., of California, and subject to confirming our belief that the present time and circumstances are favorable, we propose in the near future to make an offer to purchase all but not less than 75% of the common stock of that company.

According to information given us, the business of Thrifty Drug Stores was founded in 1929, has shown a consistent growth in volume of sales for many years, and a good rate and trend of earnings. Further, that it has at present 83 stores, and enjoyed a volume of sales during its recently closed fiscal year of over \$45 millions, with earnings of somewhat over \$1,000,000 applicable to its common stock.

Stockholders

All of the business of Thrifty is in the state of California, and the very large majority of it in the southern portion of that state.

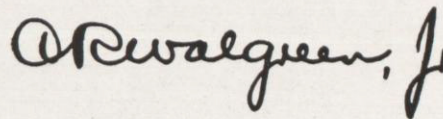
We ourselves have only 7 stores in California, and only 2 of these are even remotely competitive with Thrifty. It would therefore appear that this acquisition rounds out our national coverage to a large extent. Its stores are in general of a size and type not dissimilar from ours.

Two options are expected to be offered to Thrifty common stockholders, one being cash, partly now and partly deferred, with some contingent sharing with them of future profits above a rather high level: this is designed to meet the particular needs of the principal owners. The other option is cash plus some of our common stock, and is designed to fit the requirements of the general body of the other stockholders. It is not expected that more than a maximum of 30,000 additional shares of Walgreen common will be issued, and while we may make cash payments at this time up to a maximum of

three and three-quarter million dollars, the effect upon our common share earnings, if Thrifty produces in ensuing years profits comparable with its last few years, should be markedly favorable.

The foregoing is necessarily a very condensed and approximate description of the proposal under consideration. Under our Articles of Incorporation the consent of two-thirds of our preferred stockholders is required to make this transaction, and a very detailed presentation of the whole matter is therefore being sent to them. If any of our common stockholders wish to have a complete set of this material, a note addressed to me will insure its prompt mailing. I shall in any case keep you advised of further developments.

Sincerely,



President.

Chicago, November 25, 1949.

Walgreen Co. and Subsidiary Companies

COMPARATIVE BALANCE SHEET—

ASSETS

	<u>1949</u>	<u>1948</u>
CURRENT ASSETS:		
Cash	\$ 9,004,995	\$ 8,472,692
United States and municipal government securities	2,253,600	1,207,532
Accounts receivable, less reserves	1,531,354	1,740,212
Inventories of merchandise, priced at the lower of cost or market, less reserves	20,575,833	21,564,752
TOTAL CURRENT ASSETS	<u>33,365,782</u>	<u>32,985,188</u>
PREPAID RENT, INSURANCE, TAXES, ETC.	694,850	904,929
INVESTMENTS IN AND ADVANCES TO AFFILIATED AND OTHER COMPANIES, at cost	<u>1,186,708</u>	<u>2,158,631</u>
FIXED ASSETS, at cost:		
Land	481,446	669,213
Buildings (on owned and leased land)	1,881,372	2,035,594
Equipment	14,501,904	12,967,273
	<u>16,864,722</u>	<u>15,672,080</u>
Less—Reserves for depreciation	7,641,904	7,420,909
TOTAL FIXED ASSETS	<u>9,222,818</u>	<u>8,251,171</u>
GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount	1	1
	<u>\$44,470,159</u>	<u>\$44,299,920</u>

SEPTEMBER 30, 1949 and 1948

LIABILITIES

	<u>1949</u>	<u>1948</u>
CURRENT LIABILITIES:		
Trade accounts payable	\$ 5,681,169	\$ 5,912,962
Accrued expenses and taxes, and other liabilities	4,383,055	4,466,137
Federal income taxes	3,079,412	3,097,207
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	13,143,636	13,476,306
	<hr/>	<hr/>
RESERVE FOR FUTURE COST OF IMPROVEMENTS TO LEASED PROPERTIES, ETC.	—	900,000
	<hr/>	<hr/>

CAPITAL STOCK AND SURPLUS:

Preferred stock, 4% cumulative, par value \$100 per share, redeemable at \$2 to \$1 per share premium.

In accordance with preferred stock retirement provisions, open market orders are outstanding on November 14 for the purchase of 4,480 shares at par—

Authorized and outstanding 58,500 shares at September 30, 1949.....	5,850,000	6,200,000
Par value of shares held pending retirement	2,000	7,000

Common stock without par value—

Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares	11,484,112	11,484,112
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Earned surplus, per accompanying statement	13,994,411	12,246,502
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TOTAL CAPITAL STOCK AND SURPLUS	31,326,523	29,923,614
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	<u>\$44,470,159</u>	<u>\$44,299,920</u>

Walgreen Co. and Subsidiary Companies

COMPARATIVE STATEMENT OF PROFIT AND LOSS

For the Years Ended September 30, 1949 and 1948

	<u>1949</u>	<u>1948</u>
SALES AND OTHER INCOME:		
Net sales and other store income	\$163,365,019	\$163,260,827
Other income (net)	955,804	380,777
	<u>164,320,823</u>	<u>163,641,604</u>
COSTS AND DEDUCTIONS:		
Cost of sales and of selling, occupancy and administration, except depreciation	155,032,236	154,751,833
Depreciation of buildings and equipment	969,421	836,906
Provision for contribution to employees' retirement pension trust	732,000	683,000
Improvements to leased properties	1,400,960	1,105,534
Portion of improvements to leased properties charged to reserve	900,000	600,000
Provision for Federal and State income taxes	2,710,000	2,700,000
	<u>159,944,617</u>	<u>159,477,273</u>
NET PROFIT (see note)	<u>\$ 4,376,206</u>	<u>\$ 4,164,331</u>

NOTE: The above net profit for 1949 includes non-recurring items (principally profit from the sale of investments) of a net amount of approximately \$550,000 after related Federal income taxes.

COMPARATIVE STATEMENT OF EARNED SURPLUS

For the Years Ended September 30, 1949 and 1948

BALANCE BEGINNING OF YEAR	\$ 12,246,502	\$ 10,721,058
NET PROFIT	4,376,206	4,164,331
	<u>16,622,708</u>	<u>14,885,389</u>
DIVIDENDS PAID:		
To preferred stockholders—\$4.00 per share	237,200	247,790
To common stockholders—\$1.85 per share	2,391,097	2,391,097
	<u>2,628,297</u>	<u>2,638,887</u>
BALANCE END OF YEAR	<u>\$ 13,994,411</u>	<u>\$ 12,246,502</u>

ARTHUR ANDERSEN & CO.

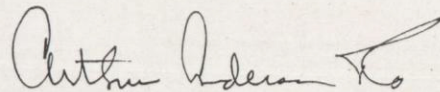
120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,

WALGREEN CO.:


We have examined the consolidated balance sheet of WALGREEN Co. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1949 and the related statements of consolidated profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended September 30, 1948.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of Walgreen Co. and subsidiary companies as of September 30, 1949 and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

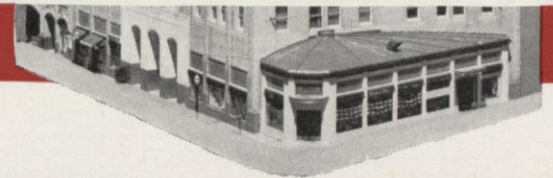


Chicago, Illinois,

November 14, 1949.



The Medical Center of the Southwest where hosts of people from all over America—and even from foreign countries—come to seek health advice. Here we installed the finest Prescription Pharmacy in the Southwest, manned by a staff of skilled Pharmacists to serve the patients of the nearly 400 Doctors in the building. Its modern equipment and stock of fresh, pure drugs are unexcelled. Volume of prescription sales since its opening in June indicates that we enjoy the confidence of the medical profession and of the public.



On the World's Busiest Corner is our big new store with 32,000 square feet of floor space requiring a staff of 350 employees. It has 28 complete departments including a colorful lower-level cafeteria that seats 385 customers. Its heavy traffic is serviced by dramatic new luminous Escalators—the first of this type in Chicago and in the drug field anywhere. A 100-foot Soda Fountain just inside the main entrance is streamlined for fast service. Already sales indicate it will be one of our “star” stores in volume as well as in appearance.



*Strong exterior identification
attracts heavy shopper traffic.*

Our Stores are Tailor Made

TO FIT THE COMMUNITY

No two Walgreen Drug Stores are exactly alike because no two communities are exactly alike. For example: what is more natural than that Walgreen's should open Chicago's finest drug store on the "world's busiest corner". That's why our new State and Madison store which opened early in October is a great merchandising store—built like a giant to do a giant's business. Equally impressive, in a different fashion, is our new Prescription Pharmacy in Dallas' Medical Arts Building, designed to serve the multitude of patients who bring their prescriptions here daily. Both ventures have surpassed our estimates.



*Cafeteria features fine food—
economical prices—colorful atmosphere.*



*Every popular drug store
need is available here.*



Better Stores

MEAN BIGGER BUSINESS

Typical of our versatility are the two stores shown below—
a busy, hustling new store located in the heart of downtown
Denver, Colorado, and an equally successful unit in a
concentrated outlying shopping district in Memphis, Tennessee.

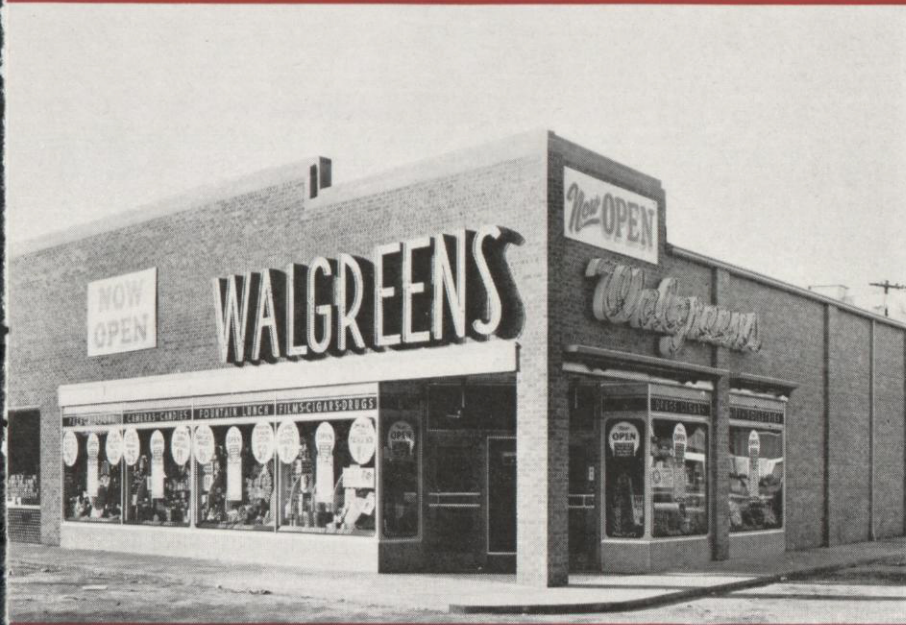


The Best in the West . . . a super store that is really outstanding in every way and one that is keeping cash registers ringing is our new store at 16th and Stout Streets, Denver. Erected in a brand new building, it has over 11,000 square feet of sales area, features a large cafeteria with its own kitchens and bakery.

— AND WE STILL KEEP OUR OLD FRIENDS



We're just as anxious to keep our old customers as we are to make new ones. . . . That's why we think it necessary to improve our stores in old familiar locations. Typical of our many remodelings and reopenings this year is 3960 Madison, Chicago. . . . Now twice as big, it incorporates all of our modern fixtures and features.

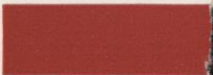
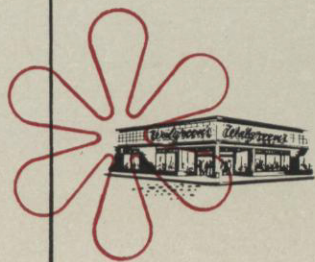
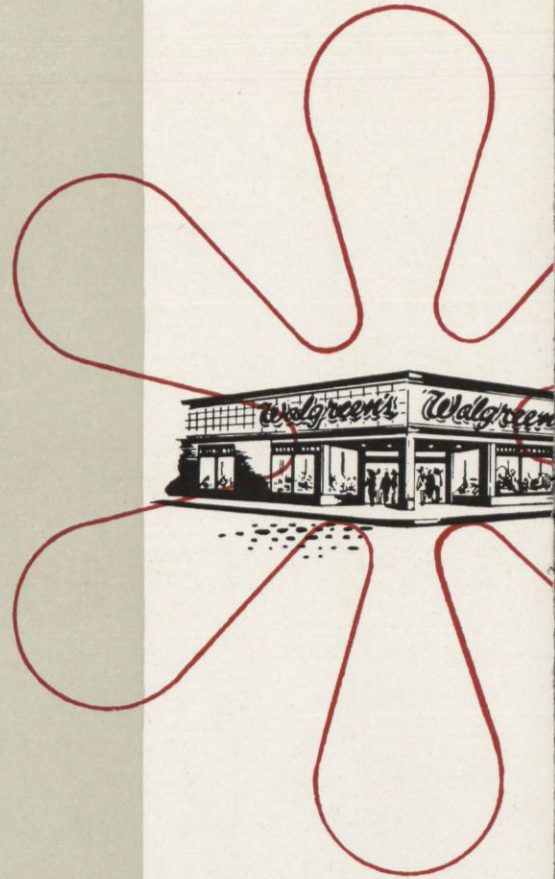


A New Southern Unit . . . is our new store at Park and Highland in Memphis. It is located in a newly-settled section of the city that has enjoyed tremendous growth in the last few years. Its ample free parking space is a big drawing card—and this unit has enjoyed splendid patronage since its opening.



9,723
YEARS
OF
EXPERIENCE

**WE INVITE
YOUR ATTENTION TO
THIS INTERESTING ANALYSIS
OF OUR
MANAGERIAL PERSONNEL**

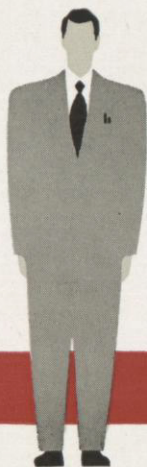




BALANCED LEADERSHIP—Our top men—officers, departmental directors, divisional and district managers—have come up from within our own organization, providing an administrative staff that is fully conversant with our aims, objectives and methods, with a resultant high degree of Company loyalty and co-operative spirit. Average age of this group is 47; average Walgreen service, 23 years.



SPECIALISTS AND SUCCESSORS—Working directly with and for our top men is a group of highly talented people exceptionally well versed in the widely diversified phases of our business. Individuals comprising this group range in age from 30 to 66; average 19 years of Walgreen experience. These men play a significant part in our current operations and some of them will assume an even more prominent role in the years ahead.



OUTSTANDING STORE MANAGEMENT—We are fortunate in having a splendid group of eminently competent store managers—men who know their business well. Successful management of the Walgreen Drug Store of today requires a wide variety of experience and skill. Ability to please our customers, sound merchandising judgment, aptness in the handling and training of personnel, wisdom in the making of many daily decisions on the job, are some of the requisites to a manager's earning a proper return upon the investment which we have in his store. None of these talents is acquired overnight. It takes time, training, practice. An overall analysis of all Walgreen store managers reveals how well they measure up. Their average age is only 41, yet their average experience with Walgreen's exceeds 14 years.

DESERVED *Popularity*

**Walgreen Products Continue
In Demand Because They Are**

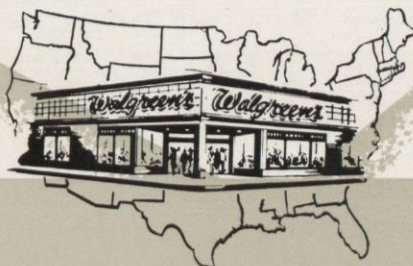
- **TOPS in Quality**
- **TOPS in Appearance**
- **TOPS in Value**



THERE'S A REASON why Walgreen Products continue in popularity. Made in our own modern, up-to-the-minute Laboratory, every product must meet the most exacting requirements. Close inspection and attention to details assures our keeping these products the *best quality—the best value.*

Many of our products are enjoying greater sales than ever—partly due to the newly-designed packages. Modern, trim, eye-appealing, these new packages help to emphasize the merit of their contents and to accelerate customer acceptance. As a stockholder and as a customer, you know the value of these “silent salesmen” on our shelves and counters.

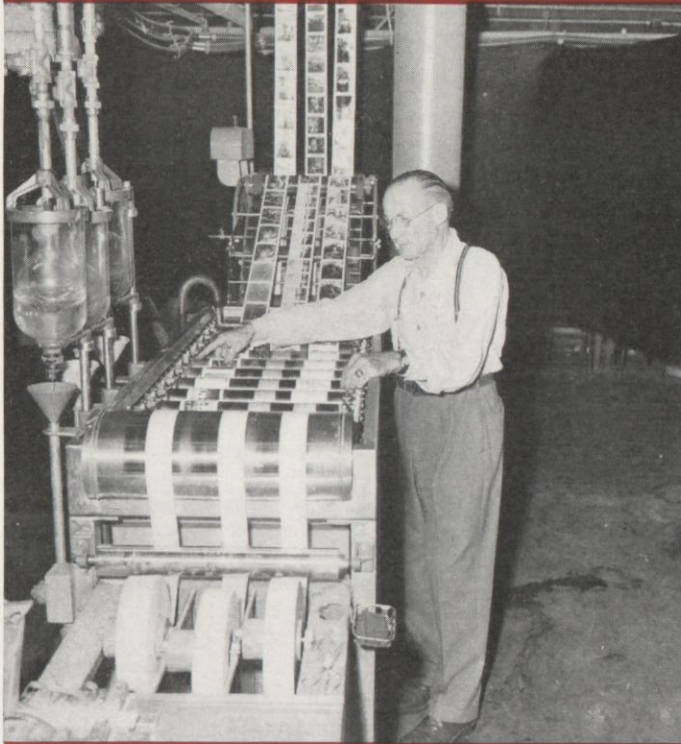
In addition, Walgreen Products are enjoying increased distribution through independently-owned Walgreen Agency Stores. As you know, these stores in no way conflict with our regular Walgreen Stores because they are located in smaller communities than those in which we normally operate. Thus the public demand for these fine Walgreen Products is met in these additional trading areas.





ANOTHER STEP FORWARD IN OUR *Progress Parade*

New Electronic Photo Finishing
Exemplifies "Behind Scenes" Development



Our modernization program on behalf of our various manufacturing and servicing plants is near completion. First important project finished is our new Electronic Photo Studio which recently began operation in Chicago.

Designed for streamlined super-efficiency, its equipment and methods—the majority of them pioneered and developed by our own people—are outstanding. As a result, it is now turning out a far greater volume of better quality work while giving faster service to our stores than ever before. What's more, because of its high degree of mechanization, operating costs have been sharply reduced.

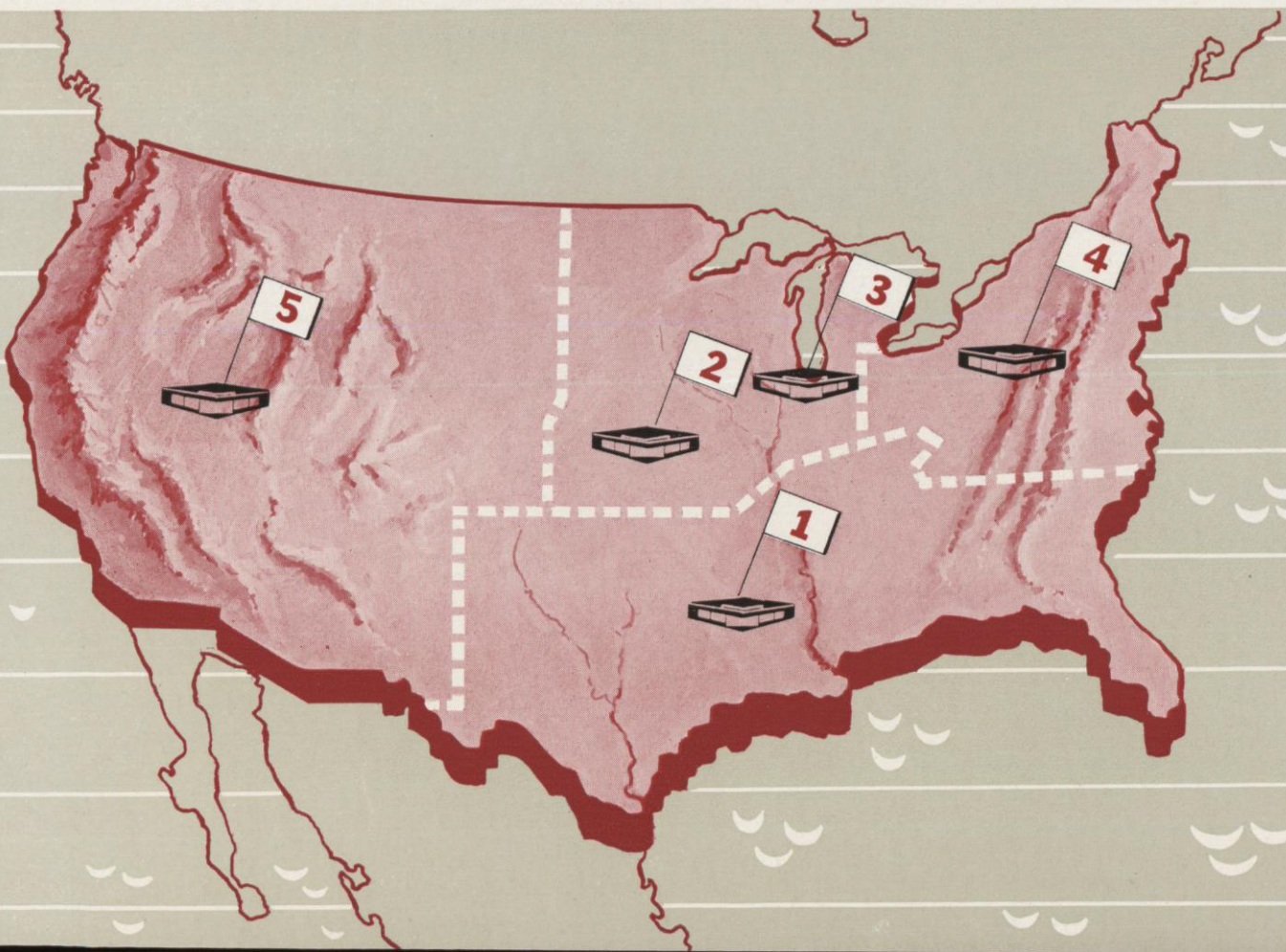
—and There's More to Come.
Similar "behind the scenes" improvements are now under way for a modern new Commissary and a new Display and Sign Shop—all of which will enable us to operate more efficiently in the future.

Distribution **OF SALES**

As a stockholder you will be interested in the map below, showing the distribution of our sales throughout the country.

- (1) Southern States, \$47,602,941 or 29.1%
- (2) Midwest States (excluding Chicago), \$45,989,941 or 28.2%
- (3) Chicago, \$34,367,170 or 21.0%
- (4) Eastern States, \$17,992,580 or 11.0%
- (5) Western States, \$17,412,387 or 10.7%

Walgreen Stores and Walgreen Agencies are conveniently located for most customers. They offer a wide selection of fine, fresh, first-quality merchandise—*priced right*. We believe they merit your regular patronage as well as that of your family and friends on the very practical ground of your own interests—as a discerning consumer as well as a stockholder.





Proof Positive

**More people bring their prescriptions
to Walgreen's than to any other drug stores
in the world. A sound reason why you and
your friends can rely upon Walgreen's, too.**

Walgreen
DRUG STORES

DEPENDABLE PRESCRIPTION SERVICE FOR 48 YEARS